

MEETING MINUTES CITY OF MILPITAS

Minutes of: Special Meeting of Milpitas City Council
– budget study session (No. 1)
Date: Wednesday, April 26, 2017
Time: 5:30 PM
Location: Council Chambers, Milpitas City Hall,
455 East Calaveras Blvd., Milpitas

CALL TO ORDER Mayor Tran called the meeting to order at 5:30 PM. City Clerk Mary Lavelle called the roll.

PRESENT: Mayor Tran, Vice Mayor Grilli, Councilmembers Nuñez and Phan

ABSENT: Councilmember Barbadillo was absent at roll call, and arrived very shortly thereafter for the remainder of the meeting.

AGENDA APPROVAL Upon a motion by Vice Mayor Grilli and seconded by Councilmember Nuñez, the City Council approved the meeting agenda for this date by unanimous vote (Barbadillo absent).

PUBLIC FORUM Robert Marini, Milpitas resident, spoke to City Council about a recent Water Rates Task Force meeting which had been canceled due to the absence of the Public Works Director. He thought that the meeting should have gone on.

PRESENTATION City Manager Tom Williams welcomed the City Council to this special meeting on the upcoming FY 2017-18 budget and encouraged questions from the Mayor and Council.

Budget Study Session:

City Manager Williams opened the session with a review of the proposed overall Operating City of Milpitas Budget for FY 2017-18. He described the City's vision, mission, budget themes and the purposed of the required annual operating budget. Six core services were identified: City Council, Administration, City Clerk, Public Safety, Planning & Building and Finance.

Mr. Williams described the coming year as time to "right size" the organization, after prior years of staff reductions and reduced hiring. Approximately 80% of any city budget was for personnel with the remainder spent on services and facilities. The City had maintained a high AAA credit rating over the last three years. Staff planned to bring the final new budget for adoption to City Council at a public hearing scheduled for May 18, 2017.

Councilmember Nuñez asked regarding the 81% spent on City staff whether that was typical and the City Manager replied yes. Mr. Nuñez asked if staff had a figure on how much Milpitas had to pay toward upkeep of the waste water treatment plant and Mr. Williams said yes. The Councilmember asked for more explanation of the budget process. The City Manager reviewed the upcoming dates (as shown on slides) for needed budget decisions.

Interim Finance Director Jane Corpus presented the draft General Fund and other budget fund categories. For FY 2017-18, a balanced budget of \$90 million for the General Fund was recommended, with the expectation of \$110,000 remaining at the end of the fiscal year.

She reviewed all categories of revenues and expenditures. Revenues included property tax, sales tax and hotel tax (Transient Occupancy Tax or TOT). Current TOT rate in Milpitas was 10%, while some neighboring cities had higher rates. \$9 million was the current revenue from TOT in Milpitas.

For 2005–2010, expenditures usually exceeded General Fund revenue and in the past the Redevelopment Agency (RDA) transfer of funds covered the deficits. Then, during the recession, the RDA was eliminated. Since 2012, staff displayed revenues that were exceeding expenditures each year.

Ms. Corpus listed Capital Outlay, with three major items requested in the next Fiscal Year. She showed one chart of the PERS contribution rates to the pension fund, which were increasing every year significantly.

Next, the Finance Director gave an overview on the Water Fund and Sewer Fund summaries. She described how bond proceeds were spent and allocated to the projects in the Capital Improvement Program.

Councilmember Phan inquired about filling vacant positions, and filling positions that were cut previously, and about the currently contracted out services. Mr. Phan asked Ms. Corpus if she saw a need for more revenue. The Finance Director replied yes and planned to give a five-year revenue projection.

Councilmember Phan asked about expected TOT next year. He wanted to understand where those funds were spent. Staff responded that 8% went into General Fund and 2% for advisory vote items (e.g. cultural arts center and library services). He asked about raising the rate of that tax, noting that an increase would not stop hotel visitors from staying in Milpitas.

Mr. Williams said he would send to Council a prior market study done on a possible convention center. Mr. Phan also wanted to know how much revenue the City received from the lighted billboard (freeway) signs. Staff could provide that to the Council.

Councilmember Nuñez requested past history on personnel cuts that were implemented in the City and to learn the current staffing level.

Councilmember Barbadillo discussed how much budget revenue was based on property taxes, and felt that many cities relied primarily on that funding (currently 32% of the city's General Fund revenue). The City Manager responded to his comments, with some history of revenues in Milpitas and the diverse segments that make up the General Fund for this City's budget. Mr. Barbadillo talked about newer trends with increased revenue.

Councilmember Phan asked if Council should look into executive housing as a priority as it could yield higher tax revenue. The City Manager noted it could, per a study done, in order to bring corporate executives to move here with their business. However, Mr. Williams noted the City had an Urban Limit Line (urban growth boundary approved by voters) limiting homes to be built below the hills. So, executive housing was not realistic for Milpitas.

At 6:40 PM, Mayor Tran announced that the City Council would take a 5-minute break and the meeting resumed at 6:51 PM.

Mayor Tran commented on an earlier disturbance by one member of the audience. The Mayor re-iterated his invitation to the man to stay at the meeting, but requested him to move to the audience seating area.

Councilmember Nuñez asked about employee compensation and what had been re-instated since the recession cut-backs. The City Manager responded that two union groups still paid 1% of employer's PERS contribution, but only until June 30. Other cost cutting policies were still on the books, such as the Fire Department could "brown out" one engine if allocated overtime was exceeded.

Mr. Nuñez asked about the mid-year budget process. He wanted to know, if at some point, the Council would hear about programs with funds where money was not fully spent in the last year. Mr. Williams explained the audit process.

Next, the City Manager explained that each City Department Head would come forward to describe their department and summary budgets.

Information Services

Information Service Director Mike Luu discussed his complete centralized Information Services Department (not contracted out, as in some cities). His group provided complete project implementation or handled tasks as simple as replacing a computer mouse. He described work plan highlights. Mr. Luu provided data on his department's uptime, help desk tickets, support to Planning Commission and Council meetings, and other measures.

Councilmember Phan asked him about Computer Aided Dispatch (CAD) and whether the City planned to expand to other cities beyond Campbell. Mr. Luu explained that the Police Department was working with a county-wide coalition to share information and data, and then evaluate if working with Campbell was successful. Mr. Phan inquired if data was accessible to all departments within the City and the Director responded about open data, such as GIS information on the city website.

Councilmember Nuñez wanted a review of the number of employees in the department. He asked for figures on the number of temporary or seasonal workers. Mr. Luu explained the use of college interns or recent graduates and what can they do in I.S.

Councilmember Barbadillo asked about the CAD system with Campbell. He asked about how I.S. was dealing with the threat of ransomware. Mr. Luu responded about software, servers and how to recover if one ever hit the city.

Councilmember Phan asked if it was possible for the city to invest in bit coin currency. Ms. Corpus replied that the City had an investment policy per state guidelines. That policy was very restrictive, so no investment in bitcoin.

Financial Services

Interim Finance Director Jane Corpus described Finance work plan activities and accomplishments, including annual awards for the City's budget prepared each year.

Councilmember Nuñez asked her to explain "OpenGov" software, which was due to be unveiled soon. Staff explained the online tool which would allow easy access for departments to locate and utilize finance information, data, and simple reports.

Vice Mayor Grilli asked about the new budget preparation system. Ms. Corpus explained that it was back in 1997 when the software product was first implemented, so staff was seeking to find something new for the Budget Manager to use to make the process easier.

Mayor Tran asked what new position was requested. Ms. Corpus replied: a senior accountant, and explained what tasks and staff that person would supervise.

Councilmember Nuñez asked about funding for some positions via the Community Facilities District, and staff replied that would go towards public safety and maintenance positions.

Economic Development

Economic Development Director Edesa Bitbadal described many successes in the past year, highlighted by earning two awards from IEDC (International Economic Development Council) and even outreach and marketing to international locations (recently, in China) . She discussed policies and customer service surveys planned for 2017 in her function.

Councilmember Phan felt the trip with Ms. Bitbadal to China was very successful and her work in economic development was very important to the City, and goals translated into revenue for the City. He asked for deliverable figures on how much money came in to the City as a result of economic development outreach and efforts. Mr. Phan supported business engagement with entrepreneurs.

Councilmember Nuñez noted that times had changed recently in terms of economic development. He felt more staff would be needed in this department. Income generated would cover the costs of more staff where he felt that interns alone were not enough. He strongly recommended to look at another staff person for this office.

Councilmember Nuñez referred to positive work with Evergreen Community College in Milpitas. He knew that San Jose City Community College was the one that had college classes on the MUSD campus, too.

Vice Mayor Grilli asked about the time frame for new hotels and a new grocery store. The Director said that hotels were expected to open in 2019 for projected revenue. A new grocery store in the Transit Area would be announced soon, she believed. Vice Mayor Grilli asked for more explanation of interns that worked in her department.

Councilmember Barbadillo asked about hotels and where those were in process. Virgin Hotel was a part of Lyons development, and was moving forward, Ms. Bitbadal reported. Mr. Barbadillo asked her about vision in the future for the policy of not changing industrial land to residential. She replied that without the available land to use for manufacturing, she could not get those companies to move in and generate revenue.

Councilmember Phan commented on land use, limited availability, and asked about the boundary for housing that the City Manager mentioned. Mr. Williams described the ballot measure about Urban Growth approved by voters. Mr. Phan felt there were two things to do to help businesses: improve infrastructure and “get out of the way.” For him, that included executive housing and he mentioned high rise building possibilities.

Mayor Tran commented on the personnel in the Economic Development office, and he supported adding staff to her efforts.

Councilmember Phan wanted a proposal to direct staff to come back with a revised proposal for more staffing in Economic Development.

Councilmember Barbadillo supported the staff recommendation, as the Vice Mayor had also said. Staff could always return to Council requesting to add more staff.

Councilmember Nuñez was excited, getting to understand how the budget was put together with staff meeting and planning carefully. He did not like that Council got this budget at the very end of the process. He felt a need for more Council input sooner in the budget process. He supported adding one position for Economic Development.

Deputy City Attorney Katy Wisinski commented that this was a study session, with no formal actions appropriate (not on the agenda). All comments would be noted, as the City Manager had said that direction and consensus was sought.

Human Resources

Human Resources Director Tina Murphy introduced the budget for her office. She highlighted services provided, including more participation in city-wide recognition events over the past year. More than ever, she said her staff provided services regarding benefits and employment available online, on the City's website and elsewhere, e.g. LinkedIn.

Vice Mayor Grilli asked about survey results and what stood in the way of having the reported figures higher. Ms. Murphy noted that sometimes when employees were terminated or dissatisfied in their department, then they express themselves as also not satisfied with Human Resources.

Councilmember Nuñez complimented highly the service he received from H.R. upon joining the city. He asked about planning for the succession process. Ms. Murphy responded that there were not specific instructions, but definitely H.R. provided guidance to employees. Also Mayor Tran said her office was doing a fantastic job and provided a high level of service.

Planning & Neighborhood Services

Planning & Neighborhood Services Director Bradley Misner described the work of three divisions: planning, neighborhood services (or, compliance) and housing. He identified several critical work plan tasks for 2017-18, notably housing policy issues.

Councilmember Nuñez asked several questions to the Director about staff positions, vacancies and what was filled. He wanted to hear from Mr. Misner his definition of community engagement. There were some questions and comments about the Library Advisory Commission and Community Advisory Commission, which were staffed by this department.

Vice Mayor Grilli received a lot of compliments about the department under Mr. Misner's leadership. She cared about updates to the major two plans: the Transit Area Specific Plan and the Mid-Town Specific Plan. She sought more information about those efforts.

Councilmember Phan asked about operating at the speed of business to get businesses open and break through red tape. Mr. Phan asked about enforcement and revenue generated.

Councilmember Barbadillo commented that on a wish list previously, the Council talked about affordable housing. He saw a goal of "support affordable housing creation and retention." So, he asked if money was allocated toward that and staff replied, yes, in terms of staff to work on those efforts.

Councilmember Nuñez asked about the Housing Consolidated Plan and if the City had one. Mr. Misner said yes, but it was nearly time to adopt a new one, while the City awaited news from the federal government on Community Development Block Grant funding.

Councilmember Phan inquired about staffing levels. He sought to understand costs and what happened with a change from contracted planning staff to in-house planners.

The City Council took a break at 9:40 PM and returned at 9:54 PM.

Mayor Tran then asked the City Manager to guide the remainder of the meeting. Mr. Williams recommended to move forward with Public Works and Engineering Departments. Then, Council could evaluate at 11:00 PM if they wanted to go forward on the smaller ones and could continue the City Attorney's budget to next Tuesday.

Public Works

Public Works Director Nina Hawk described eight sections of the Department: Administration, Utilities Operations & Maintenance, Utilities Engineering, Streets, Trees & Landscape, Parks Maintenance, Facilities Maintenance and Fleet Maintenance. Ms. Hawk defined many work plan highlights for the coming year. She described service delivery following Customer Service Requests received. She then discussed 13 listed items for Performance Measures. She requested nine new employees in FY 2017-18, funded by sewer fund work (enterprise funding) and explained funding for those. Re-organization related to Utility Engineering was also planned.

Mayor Tran commented how responsive the Public Works Department was, serving residents in the community. He asked for an explanation on how the City would handle canceling the contract for some of the parks maintenance.

Councilmember Phan asked about the backlog of streets maintenance requests and if the Department would get all the way caught up next year. Ms. Hawk responded yes, based on the plan for staffing and a new equipment purchase of the pothole truck.

Councilmember Nuñez inquired about nine positions proposed to add to Public Works. He asked for explanation of the prior positions laid off, if those nine new positions were added, and if those were the same job classifications from the past. Ms. Hawk said yes, they were.

Vice Mayor Grilli said the Public Works' budget would help answer concerns the Council had heard out in the community. She asked about the continued contract for Parks Maintenance.

Engineering

Interim City Engineer Greg Chung described his department's work functions: design and construction, transportation and traffic, land development, flood protection, stormwater permit compliance and solid waste services and recycling. Staff was implementing diversion of the waste goals. He reviewed a list of seven major Performance Measures.

Mayor Tran inquired about the reduction of staff planned. Mr. Chung explained that the Utility Engineering work was functionally related to the work done by Public Works on sewer & water utilities, so the movement of the engineers to Public Works should work out successfully. The Mayor asked about procedures to deal with traffic concerns in neighborhood streets. Staff replied that it was complaint or customer contact driven, and handling 14 items in one year was reasonable for the Engineering Department.

Councilmember Nuñez had various questions about numbers on his performance measures. Progress toward the waste diversion rate goal was different than what he'd heard recently.

Mayor Tran wanted to check in on an important issue for residents: traffic. He asked Mr. Chung what the city was doing to mitigate traffic across Milpitas. Staff responded that it depends, considering what part of the City and what other factors were going on in the particular location. He did give examples of efforts being done and improving congestion.

Vice Mayor Grilli inquired about change of positions from Engineering to Public Works, and whether the positions were filled. Yes, said the City Manager, and they were just changing from one department to another.

Mayor Tran thanked Mr. Chung for his report, and then requested that this meeting end at the conclusion of the Engineering presentation, and reconvene at a future time. The City Council discussed with staff various ways to continue the Budget Study Session.

Council did settle on continuing the Budget Study Session to the following Tuesday, May 2 with the time to be figured out, and if needed, additionally continue further on to Wednesday, May 3 as well.

Motion: to continue the study session to next Tuesday, May 2 to start at 5:00 PM

Motion/Second:

Mayor Tran/Councilmember Barbadillo

Motion carried by a vote of:

AYES: 5

NOES: 0

ADJOURNMENT

The Special City Council meeting on the FY 2017-18 budget was adjourned at 11:36 PM.

The foregoing minutes were approved by Milpitas City Council on May 16, 2017.

Mary Lavelle
Milpitas City Clerk